BILATERAL TRADE ISSUES

Joint Commission on Commerce and Trade (JCCT): Presidents Reagan and Lopez Portillo established the JCCT in June 1981, to manage and resolve bilateral economic/commercial issues. The Secretary of Commerce and the U.S. Trade Representative jointly chair the JCCT. The full Commission has met only once, in September 1981, although the Technical Secretariat and various work groups have met several times, most recently in mid-July.

Subsidies/Countervailing Duties: U.S. trade statutes require that countervailing duties be levied against imports benefiting from subsidies as defined in our law. If the Department of Commerce determines there is a countervailable subsidy, an offsetting duty must be imposed, whether or not the import causes injury to the U.S. industry. Fifteen countervailing duty cases, with a total value of more than $150 million, have been brought against Mexico. Unless Mexico undertakes obligations substantially equivalent to the GATT Subsidies Code, it cannot be designated as a country under the agreement and thereby receive the benefit of an injury test in U.S. countervailing duty cases.

During the fall of 1982, the United States and Mexico held intensive but ultimately unsuccessful negotiations for a bilateral subsidies agreement. One week prior to the arrival of the Mexican delegation for the July 1983 meetings of the Technical Secretariat of the JCCT, we received a new Mexican proposal for an agreement. While Mexico's proposal addresses some of our earlier concerns, it falls short in a number of key areas. For example, it contains no provision for dispute settlement and no automatic termination clause. Therefore, we informed the Mexicans that we would need at least four or five weeks for Congressional and private sector consultations before we would be able to negotiate on the proposed agreement. The Mexicans are expected to voice their displeasure that signing of an agreement was not possible in time for the August 14 presidential meeting.

Generalized System of Preferences (GSP): The current GSP program terminates January 3, 1985, and we have submitted legislation to renew it for another ten years. Our renewal proposal contains modifications that would lead to the staged removal, or "graduation," of some products from the program (likely to include some Mexican products) as well as the opportunity for expanded GSP benefits in return for improved access for U.S. exports. Stiff opposition to GSP renewal is expected on the Hill. In 1982 Mexico's GSP exports to the U.S. totalled $600 million, or about 7.0 percent of our total GSP imports.

Textiles: As a result of a surge in Mexican exports in January and February, the U.S. has requested and held one round of consultations under our bilateral textile agreement on category 604, plied acrylic yarns. There has been no agreement to date, but we think the issue is unlikely to surface as a separate issue at the Mexico meeting.

July 29, 1983